

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

Natwar M. Gandhi  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi [signature]  
Chief Financial Officer

**DATE:** February 11, 2004

**SUBJECT:** Fiscal Impact Statement: "District of Columbia Health  
Ombudsman Program and Funding Act of 2003"

**REFERENCE:** Bill Number 15-137

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**Conclusion**

Funds are sufficient in the FY 2004 through FY 2007 budget and financial plan to implement the proposed legislation, if effective in the beginning of FY 2005. The proposed legislation would fund a Health Ombudsman Program by generating an estimated \$300,000 per year and with an expected total of nearly \$1.3 million for the four-year period in additional revenue through increasing the tax on non-cigarette tobacco. The cost of the program is identified in the legislation as \$300,000 per year.

**Background**

The proposed legislation would increase the tax on tobacco products, other than cigarettes, to 10 percent of the wholesale price of the non-cigarette tobacco products. Currently, non-cigarette tobacco products are taxed at the standard 5.75% sales tax rate. The bill also would impose an assessment on health insurers – the rules and amount would be decided upon by the Mayor. At least \$300,000 of the revenues raised by this bill must be used to fund the proposed Health Ombudsman Program.

The bill would require the Health Ombudsman Program to assist consumers in resolving health care and health insurance problems, to comment on behalf of consumers on health care policy legislation and regulations, and to assist uninsured resident in accessing Medicaid or other health care services. The bill also would require the Ombudsman Program to implement strategies to maximize its outreach to consumers including a 1-800

telephone number, a website, in-person counseling, providing outreach and referrals, and serving a liaison among various community organizations. In addition, the bill would require health insurers to notify the members of the availability of the ombudsman, annually. The proposed legislation also would establish an Advisory Council of relevant public and private organization members to advise, evaluate, change, review and make recommendations to the Ombudsman Program.

### **Financial Plan Impact**

Raising the tax on non-cigarette tobacco products will generate an estimated \$300,000 per year in additional revenue in FY 2004 through FY 2007 for a projected fiscal impact of \$1.3 million for the four-year period. There would be some costs to implementing this proposed tax change, but these costs are expected to be negligible.

The rules and assessment formula for the assessment on health insurers is not defined in this bill, and therefore cannot be estimated at this time.

The proposed legislation would require a minimum of \$300,000 of the funds raised through this tax increase to be used to fund the Health Ombudsman Program. The bill does not mandate where excess revenue would be deposited, but would likely be deposited in the General Fund then appropriated back when there is sufficient budget authority in FY 2005.